



Determining Full-Time Control

Issue:

This brief explains the full-time control requirement when the Veteran owner has employment outside of the applicant or participant.

(For purposes of this brief, Veteran applies equally to Service-Disabled Veterans; applicant refers to the business entity applying for verification; and participant refers to a business entity that has already been verified.)

The Regulations:

38 CFR § 74.4(c)(1) provides that “[a]n applicant or participant must be controlled by one or more veterans or service-disabled veterans who possess requisite management capabilities. Owners need not work full-time but must show sustained and significant time invested in the business. An owner engaged in employment or management outside the applicant concern must submit a written statement supplemental to the application which demonstrates that such activities will not have a significant impact on the owner’s ability to manage and control the applicant concern.”

38 CFR § 74.4(c)(3) provides that “[o]ne or more veterans or service-disabled veteran owners who manage the applicant or participant must devote full-time to the business during the normal working hours of firms in the same or similar line of business.”

What This Means:

- While other outside employment is not necessarily a bar to establishing control, the business must demonstrate that a Veteran owner’s employment in another business will not interfere with his/her control of the

applicant or participant in accordance with 38 CFR § 74.4(c)(1). The applicant or participant must provide a written statement demonstrating how the outside employment does not impact the Veteran’s ability to manage and control the business. It is important to note that the burden is on the applicant or participant to demonstrate his or her ability to control the business while employed by another entity. The Veteran’s ability to control the business will not be presumed.

- The Government Accountability Office (GAO) has identified this issue in a report which found that a Veteran cannot control a business when concurrently having a separate full-time job which operates during the same normal business hours as the applicant business (*Source: [GAO Report GAO-10-108: Service-Disabled Veteran-Owned Small Business Program—Case Studies Show Fraud and Abuse Allowed Ineligible Firms to Obtain Millions of Dollars in Contracts, October 2009](#)*). This high standard for control often results in a denial. The Veteran must provide the Center for Verification and Evaluation (CVE) with a written explanation which demonstrates that the outside employment does not affect his/her ability to manage and control the applicant or participant. This statement should be detailed with examples of how the Veteran is able to show responsibility without delegating material elements of control. Failure to provide a detailed explanation may result in a denial.
- The determination as to whether outside employment will bar inclusion in the VetBiz Vendor Information Pages (VIP) database based upon lack of control is decided on a case-by-case basis, evaluating the particular facts and circumstances presented.

- One common example that will prohibit an applicant from receiving verified status is if the Veteran lists on his/her résumé that he/she currently holds a position other than that in the applicant—and the Veteran has not provided a written explanation demonstrating that the outside employment does not affect his/her ability to manage and control the applicant.

**VA Office of Small and Disadvantaged
Business Utilization**
1-866-584-2344
Monday–Friday | 8 a.m. to 6 p.m. (Eastern)

Status Update:
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Profile Questions: vip@va.gov

Excerpt From Verification Denial Letter:

“During the site visit and document review, it was determined that you are engaged in a number of other businesses. You were asked to provide a statement which demonstrates that your other business activities do not have a significant impact on your ability to manage and control the applicant concern. Since you have not provided this statement along with other requested documentation, CVE cannot conclude that you ‘show sustained and significant time invested in the business.’ Therefore, CVE finds that you are not in compliance with 38 CFR § 74.4(c)(1).”

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